

August 6, 2002

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

FEDERAL LEGISLATIVE UPDATE

The House and Senate have recessed and will return after Labor Day. Congress then will attempt to complete action on as many of the Federal Fiscal Year (FFY) 2003 appropriations bills as possible prior to October 1, 2002 when FFY 2003 begins. Congress has scheduled a tentative adjournment date of October 4, 2002, but there is speculation that it will have to return after the November elections to complete its work in a lame duck session.

FFY 2003 APPROPRIATIONS

In September, the House Appropriations Committee must mark up seven of the 13 FFY 2003 appropriations bills, including those funding justice, health and human services, housing, and community development programs. The Senate Appropriations Committee has passed all 13 FFY 2003 appropriations bills, but only three (Military Construction, Defense, and Legislative Branch) have passed the Senate. Because there is no budget agreement between the House and Senate on overall spending levels for FFY 2003, reconciling the higher Senate spending levels with the House will likely be a protracted process.

Commerce/Justice/State (CJS): As reported to your Board on July 19, 2002, the Senate CJS appropriations bill (S. 2778) includes the Administration's proposal to eliminate the State Criminal Alien Assistance Program (SCAAP). Historically, the Senate funds SCAAP at low levels to use as a bargaining chip when it enters conference committee negotiations with the House. Washington Advocate Franklin Logan reports that Senator Feinstein has received an assurance from CJS Appropriations Subcommittee Chairman Hollings (D-SC) that he will support

funding for the program in conference. The County's Washington Advocates expect the House to restore much, if not all, of SCAAP funding to its current level of \$565 million when it acts on the bill. They are working with Representative Roybal-Allard, who serves on the House CJS Appropriations Subcommittee, a coalition of southwest border counties, and the National Association of Counties to boost SCAAP funding in the House.

Within a \$2 billion appropriation for first responder and domestic preparedness activities, the Senate bill would provide states and localities with \$1.047 billion to purchase equipment to respond to and mitigate the effects of terrorist acts. These funds would be administered by the Justice Department's Office of Domestic Preparedness, and the Senate committee report directs that no state or local match would be required. The bill also allocates \$503 million for first responder training programs and \$272 million for states and localities to run exercises to test their terrorism response plans.

The House Appropriations Committee has not yet scheduled a mark-up for the CJS appropriations bill. Similarly, Senate floor action has not been scheduled.

Labor/Health and Human Services (HHS), and Education: As reported to your Board on July 19, 2002, the Senate Appropriations Committee has passed its FFY 2003 Labor, HHS and Education appropriations bill (S. 2766). Funding for County priority programs in FFY 2003 would be at FFY 2002 levels or higher. The bill includes funding for Public Health Bioterrorism Preparedness and Hospital Preparedness at the FFY 2002 levels of \$940 million and \$492 million, respectively. The Committee rejected the Administration's proposals to cut funding for Workforce Investment Act programs by appropriating funds at or above the FFY 2002 levels. Ryan White AIDS programs would receive small increases, as would the Maternal and Child Health Block Grant. Senate floor action has not been scheduled.

The House leadership intends to mark up its version of the bill in early September. While there is no program-specific information available, it is expected that discretionary funding will total about \$129.9 billion in the House bill, compared to \$136.4 billion in the Senate version.

VA/Housing and Urban Development (VA/HUD): On July 25, 2002, the Senate Appropriations Committee adopted the FFY 2003 appropriations bill (S. 2797), which funds the VA, HUD, and independent agencies, including the Federal Emergency Management Agency (FEMA). The Committee rejected the Administration's proposal to cut the Community Development Block Grant (CDBG) and, instead, increased CDBG funding from \$5 billion to \$5.05 billion in FFY 2003. It also rejected the

Administration's proposal to cut \$90 million from the Shelter Plus Care program, which provides housing and intensive services for persons with physical or mental disabilities. The program, instead, would be funded at \$193 million in FFY 2003.

The bill also would appropriate approximately \$1.747 billion for FEMA emergency management planning and assistance of which \$180 million would be for interoperable communications equipment for firefighters and EMS personnel, \$75 million for improved state and local emergency planning, \$180 million for upgrading state and local emergency operation centers, and \$60 million for emergency responder training. The fire grant program, which helps local fire departments to purchase firefighting equipment and conduct training, would be increased \$540 million to \$900 million in FFY 2003.

AUTHORIZATION BILLS

Temporary Assistance for Needy Families (TANF) Reauthorization: On June 26, the Senate Finance Committee approved legislation to reauthorize TANF through FFY 2007. While the Committee has not yet released its committee report on the bill, it released bill language on July 19, 2002. The Senate TANF reauthorization bill is more consistent with your Board's policies than the House version (H.R. 4737) because it generally gives states more flexibility and allocates much more funding for child care. It is uncertain when Senate floor action on the bill will occur, especially since, in September, the Senate will be focusing on completing action on all 13 FFY 2003 appropriations bills before the new fiscal year begins on October 1, 2002. If Congress and the Administration cannot reach agreement on a five-year TANF reauthorization bill this year, then TANF probably would be reauthorized at the current funding level for one year, and Congress will consider a longer term TANF reauthorization bill next year.

Food Stamp Quality Control (QC) Sanctions: As part of the FFY 2003 Senate Agriculture Appropriations bill (S. 2801), Senator Feinstein included report language directing the United States Department of Agriculture (USDA) to continue to negotiate with states that were sanctioned for their FFY 2001 Food Stamp error rates. Washington Advocate Carla Kish reports that the language was significantly modified from the original language proposed by the County and the State of California due to objections from Committee staff and the Administration. That language would have directed the USDA to greatly reduce California's \$114 million Food Stamp QC penalty by applying the new Food Stamp QC penalty calculation methodology from the recently enacted Farm Bill. Under State law, 90 percent of the total statewide sanction is passed through to counties, with Los Angeles County liable for about \$87 million of the total sanction.

On July 15, 2002, Rita Saenz, the Director of the California Department of Social Services, sent a letter (Attachment I) to the USDA expressing the State's disappointment in the USDA's failure to reduce the State's Food Stamp QC penalty and interest in continuing negotiations on the penalty and addressing the State's Food Stamp error rate. On July 25, 2002, the USDA sent a response (Attachment II) indicating that it would not re-negotiate the State's penalty. The State now is developing a formal administrative appeal of the FFY 2001 penalty.

Medicaid: On July 25, 2002, as part of a bill (S. 812) to expedite generic drugs to market, the Senate overwhelmingly approved an amendment to provide states with temporary fiscal relief totaling about \$9 billion. Part of the amendment would provide states with a 1.35 percent point increase in the Federal matching rate for non-disproportionate share hospital (DSH) payments in the second half of FFY 2002 and all of FFY 2003. To qualify for the increased Medicaid matching funds, a state must not make its Medicaid eligibility requirements more restrictive. California would receive an estimated \$859.866 million in added Federal Medicaid payments and another \$314.654 million from the amendment's separate \$3 billion increase in Title XX Social Services Block Grant funds. The Senate passed S. 812 on July 31, 2002.

If enacted, the increased Medicaid and Title XX funds could be used by California to reduce its State General Fund costs. The amendment is not supported by the House Republican leadership and the Bush Administration, but Medicaid financing is likely to be addressed in end-of-year budget negotiations. As previously reported to your Board, the House-passed Medicare prescription drug bill (H.R. 4954) contains a modest restoration of Medicaid DSH cuts that, otherwise, will take effect in FFY 2003. It would restore about \$55.4 million in FFY 2003 Medicaid DSH payments for California. Members of the House Republican leadership have indicated that they are committed to adding more DSH funds sometime before adjournment.

San Gabriel River Watersheds Study Act of 2002 (H.R. 2534/S. 1865)

There has been Board interest in H.R. 2534 (Solis), which, as introduced last year, would have required the Secretary of the Interior to study the feasibility of including the San Gabriel River, the Lower Los Angeles River, and the portion of San Gabriel Mountains that are within the boundaries of the San Gabriel and lower Los Angeles Rivers and Mountains Conservancy (RMC) in the National Park system. The House Resources Committee passed H.R. 2534 on July 24, 2002 after adopting a substitute amendment offered by Representative Hilda Solis, which significantly changed the study.

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The amendment authorizes \$500,000 for a special resources study of the San Gabriel River, north of the City of Santa Fe Springs, and the San Gabriel Mountains within the RMC, and requires appropriate Federal, state and local governmental entities to be consulted with consideration given to flood control, drainage needs, and publicly owned infrastructure, including waste water treatment facilities. This study neither would cover the lower San Gabriel and Los Angeles Rivers nor assess the feasibility of adding any portion of the County to the National Park system. On July 31, 2002, the Senate Energy and Natural Resources Committee amended and passed a companion bill, S. 1865 (Boxer), which we understand is similar to the latest version of H.R. 2534.

We will continue to keep you advised of any new developments.

DEJ:GK
RT:TJ:MT:md

Attachments

c: Executive Officer, Board of Supervisors
 County Counsel
 All Department Heads
 Legislative Strategist